GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4474
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RBI ANNUAL POLICY
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Will the Minister of FINANCE be pleased to state:

(a) whether the RBI has recently announced its annual policy;

(b) if so, the salient features of the new policy;

(c) whether the credit growth in the country is set to grow due to implementation of this policy; and

(d) if so, the steps taken by the Government to check the increase of rate of interest on various loans?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : RBI has announced its Annual Policy on April 18, 2006 for the year 2006-07. The salient features of the policy, inter-alia, include the following:

@ Focus on credit quality and financial market conditions for maintaining macroeconornie, in particular, financial stability.
@ Monetary and interest rate environment enabling growth momentum consistent with price stability.
@ Bank Rate, Reverse Repo Rate, Repo Rate and Cash Reserve Ratio kept unchanged.
@ Deposits projected to grow by around! Rs.3,30,000 crore for 2006-07.
@ Appropriate liquidity to be maintained to meet legitimate credit requirements, consistent with price and financial stability.
@ Provisioning for standard advances raised to 1.0 per cent for personal loans, capital market exposiires, residential housing beyond Rs.20 lakh and commercial real estate loans.
@ To ensure a monetary and interest rate environment that enables continuation of the growth momentum consistent with price stability while being in readiness to act in a timely and prompt manner on any signs of evolving circumstances impinging on inflation expectations.
@ To focus on credit quality and financial market conditions to support export and investment demand in the economy for maintaining macroeconoinic, in particular, financial stability.

(c) : As per Annual Policy Statement of RBI, non-food credit including investments in bonds/debentures/shares of public sector undertakings and private corporate sector and commercial paper is expected to increase by around 20%.

(d) : Banks are free to determine the landing rate of interest taking into account the cost of funds and the risk element Involved. However, RBI has stipulated that interest rate on loans by commercial banks upto Rs.2 lakhs should not exceed the Benchmark Prime Lending Rate(BPLR).